



House of Representatives

General Assembly

File No. 289

January Session, 2013

Substitute House Bill No. 6379

House of Representatives, April 2, 2013

The Committee on Insurance and Real Estate reported through REP. MEGNA of the 97th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING SURPLUS LINES INSURANCE BROKERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (1) of subsection (b) of section 38a-741 of the
2 general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective from passage*):

4 (b) (1) When any policy of insurance is procured or renewed under
5 the authority of such license providing a line of insurance or its
6 component that does not, on the effective date of coverage, appear on
7 the current published list, both the licensee and the insured shall
8 [execute affidavits] write signed statements setting forth facts showing
9 that such licensee and such insured were unable after diligent effort to
10 procure, from any authorized insurer or insurers, the full amount of
11 insurance required to protect the interest of such insured, and further
12 showing (A) that the amount of insurance procured from an
13 unauthorized insurer or insurers is only the excess over the amount so
14 procurable from authorized insurers, (B) the type of policy, and (C) if
15 such policy is for real property, the location of such property. With

16 respect to a homeowners insurance policy, "diligent effort" means such
 17 licensee received at least six declinations from authorized insurers for
 18 such coverage. Such licensee shall file such [affidavits] signed
 19 statements in electronic format with the commissioner [not later than
 20 forty-five days after such policies have been procured] on February
 21 first, May first, August first and November first of each year.

22 Sec. 2. Section 38a-777 of the general statutes is repealed and the
 23 following is substituted in lieu thereof (*Effective from passage*):

24 Any licensee under sections 38a-741 to 38a-744, inclusive, as
 25 amended by this act, or section 38a-794 who negotiates, continues or
 26 renews any contract for insurance in any unauthorized company, and
 27 who [neglects] fails to make and file the [affidavit and] statements
 28 required [by said sections] under section 38a-741, as amended by this
 29 act, or who wilfully makes a false [affidavit or] statement, or who
 30 negotiates, continues or renews any such contract of insurance after
 31 the revocation or during the suspension of the licensee's license, shall
 32 forfeit the license if not previously revoked and shall be fined not more
 33 than four thousand dollars or imprisoned not more than six months, or
 34 both.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	38a-741(b)(1)
Sec. 2	<i>from passage</i>	38a-777

INS *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:** None**Municipal Impact:** None**Explanation**

This bill changes certain requirements for surplus lines insurance brokers. There is no fiscal impact.

The Out Years**State Impact:** None**Municipal Impact:** None

OLR Bill Analysis**sHB 6379*****AN ACT CONCERNING SURPLUS LINES INSURANCE BROKERS.*****SUMMARY:**

By law, the insurance commissioner must maintain, publish, and make available to surplus lines brokers a list of insurance lines unavailable from licensed insurers. Under current law, licensed surplus lines brokers and their clients that obtain insurance that is not on the commissioner's list must file with the commissioner an affidavit showing they made diligent efforts to obtain the insurance from a licensed insurer. The affidavits are due within 45 days after procuring the insurance.

This bill requires a signed statement instead of an affidavit, eliminating a notary requirement. It requires the broker to submit the signed statement to the commissioner electronically on the first day of February, May, August, and November in each year.

Currently, the affidavit must show that the amount of insurance obtained from an unauthorized insurer is only the excess over the amount obtained from authorized insurers. The bill requires the signed statement to include that information as well as the type of policy and, if the policy is for real property, the location of the property.

Under the bill, a surplus lines broker has made a "diligent effort" to obtain homeowners insurance if at least six authorized insurers declined to provide coverage. Currently, the Insurance Department requires three insurers to decline to provide coverage.

By law, a broker who fails to file a signed statement or willfully files

a false statement is subject to license revocation and a fine of up to \$4,000, imprisonment of up to six months, or both.

EFFECTIVE DATE: Upon passage

BACKGROUND

Related Bill

sSB 1093, reported favorably by the Insurance and Real Estate Committee, requires a surplus lines broker to submit an affidavit to the insurance commissioner electronically on the first day of February, May, August, and November in each year.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable Substitute

Yea 11 Nay 7 (03/14/2013)